

EXHIBIT 8
DATE 1-15-07
HB 29

MONTANA FINANCIAL SERVICE

CENTERS ASSOCIATION

FACTS ABOUT DEFERRED DEPOSIT

AND

HOUSE BILL 29

How does the cost of a deferred deposit loan compare to the common alternatives?

CREDIT ALTERNATIVE	\$100 DEFERRED DEPOSIT LOAN	\$100 BANK OVERDRAFT FEE	CREDIT CARD LATE FEE ON \$100 BILL	LATE/DISCONNECT FEE ON \$100 UTILITY BILL	\$100 BOUNCED CHECK NSF/MERCHANT
Fee	\$15.00	\$27.40	\$37.00	\$46.16	\$54.04
APR	391%	701%	965%	1204%	1409%

Sources: Avg. NSF fee \$27.40 (Bankrate.com, Fall 2006); Avg. merchant returned check fee \$26.64 (2006 CFSA fee survey); Avg. utility late and reconnect fee (2006 CFSA fee survey); Avg. credit card late fee (Credit Cards: Increased Complexity in Rates and Fees, Government Accountability Office, 2006); Avg. overdraft protection fee (Bankrate.com 2005); Typical payday advance fee (CFSA).

Customers have alternatives to deferred deposit loans but choose a deferred deposit loan because it is more economical than the alternatives.

What would a lender be allowed to charge under the 36 percent APR limit proposed by House Bill 29 and how much of the fees charged would a lender have to pay to the State of Montana as a result of the proposed increase in the annual license fee from \$125 to \$500, the ongoing charge associated with the proposed statewide database and the cost of a state examination?

Total fee allowed under HB 29 for a \$100 loan for a two week term (36 percent APR)	\$1.38
Per transaction fee for proposed database	\$1.00
Per transaction cost for annual license fee	\$0.33
Per transaction cost for annual state examination	\$0.20
Total cost paid to the state per loan	\$1.53
Net loss after state fees and before paying any other operating costs	-\$0.15

After paying state fees proposed under House Bill 29 the lender loses \$0.15 on each transaction even before paying employee salaries, employee health and dental benefit costs, contributing to employee retirement plans, rent, utilities and other overhead expenses.

Notes:

- The calculation above assumes continuation of the \$300 annual examination fee currently assessed.
- Per transaction calculation costs for the license fee and audit fee assumes 125 loans per month
- Assumption number 5 from the fiscal note for House Bill 29 states: The cost of a consumer database required under new Section 13 of the Deferred Deposit Loan Act will be paid by the deferred deposit loan licensees. A **rough estimate** of the cost of such a system is \$50,000 annually. (Emphasis added)
- The cost to the lender for a comparable database in the state of Florida is \$1.00 per transaction.

How would House Bill 29 affect consumers and the Montana economy if it were to pass?

- Hundreds of jobs would be eliminated across the state due to business closures. Many of the jobs eliminated provide health benefits, dental benefits and retirement plans.
- Thousands of consumers would lose the option of obtaining a deferred deposit loan to help in a time of need and consequently would be driven to use more costly alternatives such as overdraft protection, bounced check fees, late fees and possibly unregulated out-of-state or off-shore internet lenders. Ultimately consumers are hurt rather than protected.

What laws and rules are currently in place for regulating lenders in the State of Montana?

- The maximum loan amount is \$300
- The amount of a loan cannot exceed 25% of the borrowers net income for the month
- Loans cannot be refinanced or rolled over
- The maximum fee allowed is 25 percent of the loan amount
- Consumers have the right to rescind (cancel) the loan at no charge to them, by 5 PM the business day following the loan
- A criminal background check must be performed on every employee working at a lenders office
- Complete disclosures on terms, fees and APR's must be disclosed clearly and completely in accordance with Federal regulation Z
- Every office is examined by the state on an annual basis to ensure complete compliance with all laws and regulations
- A brochure is given to every customer with cautions and recommendations regarding obtaining a loan. Also included is a phone number for the Montana Division of Banking and Financial Institutions.

The typical deferred deposit customer is a responsible, hard working, middle class American. Studies have shown the demographics of industry clients to be:

- **Average age is 35.6 years**
- **Average annual household income is \$33,187**
- **Average time in current residence is 4.5 years**
- **Average time in current employment is 4 years**
- **32.8 percent own their own homes**
- **All have a job (or regular income) and an active checking account**

House Bill 29 would hurt Montana consumers, small businesses and the economy.

Please Vote No on House Bill 29.